



The Comptroller General
of the United States

Washington, D.C. 20548

Gilks

Decision

Matter of: PRC Kentron
File: B-225677
Date: April 14, 1987

DIGEST

1. Contracting agency's cost realism analysis involves the exercise of informed judgment, and the General Accounting Office will not question such an analysis unless it clearly lacks a reasonable basis. Reasonable basis is provided by Defense Contract Audit Agency's determination that cost data submitted with proposals was adequate in all respects, agency's reconciliation of estimated costs with the independent government cost estimate, and agency's consideration of whether proposed cost elements were reasonable and consistent with the work to be performed as outlined in offerors' technical proposals.
2. Where an agency regards proposals as essentially equal, cost may become the determinative factor in making an award notwithstanding that in the evaluation criteria cost was of less importance than technical considerations.
3. Source selection officials are not bound by the recommendations and conclusions of evaluators, but must determine if point scores are indicative of technical superiority and what the difference in point scores may mean in contract performance. The judgment of the procuring agency concerning the significance of the difference and whether or not offers are technically equal will be afforded great weight by the General Accounting Office.

DECISION

PRC Kentron protests the award of a cost-plus-fixed-fee contract to Dynaspan Services Company under request for proposals (RFP) No. DAAD07-86-R-0003, issued by the United States Army White Sands Missile Range, New Mexico, for test and evaluation support services. PRC challenges the Army's application of the RFP's evaluation criteria.

We deny the protest.

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Offerors were required to submit separate management, technical and cost proposals. The RFP identified the following three major evaluation criteria and their approximate respective importance:

- (1) Management and Past Performance 45 percent
- (2) Technical 40 percent
- (3) Cost/Price 15 percent

Offerors were advised that the cost factor would not be scored but evaluated in a subjective manner by comparison with the government cost estimate and by appropriate consideration of information from the Defense Contract Audit Agency, government technical personnel, and other sources. The offeror's price would then be evaluated in accordance with its comparative advantage to the government. The RFP's Best Buy Decision Clause provided that:

"The ultimate source selection will not be made by the application of a mathematical formula, but by the exercise of sound business judgment on the part of the Contracting Officer. This decision will be based on the probable costs to the Government as compared with the evaluated numerical ratings of the proposal. Significant differences in measured proposal merit may or may not be deemed affordable or worth an additional amount of money, depending upon the best interest of the Government. This procurement is competed for Quality of Service and Reasonableness of Cost, not minimum service at minimum cost."

Proposals from PRC and Dynaspan, the only firms which submitted proposals, were reviewed by a proposal evaluation board (PEB), and given scores of 58.3 and 59.2, respectively, out of a possible 85 points. After participating in oral negotiations, PRC and Dynaspan submitted best and final offers which were ranked by the PEB. PRC's offer for \$43,276,494 received 57.3 points. Dynaspan's offer for \$41,597,246 received 55.3 points. The PEB concluded that award to either offeror would present a moderate risk to the government in terms of technical performance and recommended award to PRC based on its higher technical score. However, based on their review of the record, source selection officials determined that although PRC's proposal was ranked slightly higher, it was essentially equal to Dynaspan's proposal, which was lower in evaluated cost. They concluded

that the record "did not support the potential payout of the higher total cost differential on a proposal that would provide marginal utility," and awarded a contract to Dynaspan.

PRC protests that the award to Dynaspan converted the procurement from one emphasizing management and technical excellence into one for the lowest estimated cost. PRC contends that although the RFP provided that the award decision would be based in part upon probable cost to the government, there is no indication that the government's estimate was considered, that the cost data presented were complete and accurate, or that the costs were consistent with the work to be performed. PRC argues that a probable cost analysis here should include any necessary adjustments to proposed staffing to preclude the possibility of a contractor's deliberate understatement of staffing to keep estimated costs low, and that its protest should be sustained if such analysis was either not performed or performed defectively.

We first note that the Army has denied the protester access to much of the evaluation material, but has provided the material for our review. We have reviewed the evaluation material in camera, but our discussion of its contents is limited because of the agency's restriction on its disclosure. Audits & Surveys, Inc., B-224556, Jan. 30, 1987, 87-1 C.P.D. ¶ ____.

When a cost reimbursement contract is to be awarded, the offerors' estimated costs of contract performance and their proposed fees should not be considered as controlling since the estimates may not provide valid indications of final actual costs, which the government is required, within certain limits, to pay. See Federal Acquisition Regulation, 48 C.F.R. § 15.605(d) (1986); Dalfi, Inc., B-224248, Jan. 7, 1987, 87-1 C.P.D. ¶ _____. The government's evaluation of estimated costs thus should determine the extent to which the offerors' estimates represent what the contract should cost, assuming reasonable economy and efficiency. This determination in essence involves an informed judgment of what costs actually would be incurred by acceptance of a particular proposal. Marine Design Technologies, Inc., B-221897, May 29, 1986, 86-1 C.P.D. ¶ 502. Because the contracting agency clearly is in the best position to make this cost realism determination, we limit our review to a determination of whether an agency's cost evaluation was reasonably based and was not arbitrary. Quadrex HPS, Inc., B-223943, Nov. 10, 1986, 86-2 C.P.D. ¶ 545.

The record here shows that the Army performed a cost realism analysis on both offers to determine the probable cost to the government. Defense Contract Audit Agency auditors reported that the cost data submitted with the proposals was adequate in all respects. The Army reviewed all proposed elements of cost to determine if they were realistic, reasonable and consistent with the work to be performed as outlined in the offerors' technical proposals. Proposed costs were also compared to the independent government estimate. After making cost adjustments for various areas of each offeror's proposal, including staffing, the Army determined that the probable cost for Dynaspan's proposal over the 5-year contract period was less than PRC's. Based on the record, we conclude that the Army's cost evaluation was reasonably based.

We find PRC's argument that the award to Dynaspan converted the procurement from one emphasizing management and technical excellence into one for the lowest estimated cost to be without merit. The point scoring plan used by the Army maintained the relative weights of the factors set out in the RFP. Cost became the determinative factor only when source selection officials found that PRC and Kentron were essentially equal technically. Where selection officials reasonably regard proposals as being essentially equal technically, cost may become the determinative factor in making an award notwithstanding that the evaluation criteria assigned cost less importance than technical considerations. Associations for the Education of the Deaf, B-220868, Mar. 5, 1986, 86-1 C.P.D. ¶ 220.

Our review of the record indicates no basis to object to the agency's determination that the technical proposals were essentially equal. Point scores are used as a guideline to intelligent decision making by source selection officials, and award should not be based upon the difference in technical scores alone. Rather, a selection should reflect the procuring agency's considered judgment of the significance of the difference in point scores. RCA Service Co., B-208871, Aug. 22, 1983, 83-2 C.P.D. ¶ 221. In other words, source selection officials are not bound by the recommendations of the evaluators, but must determine if they agree that the point scores are indicative of technical superiority and what the difference in point scores may mean in contract performance. Id. New Mexico State Univ./Physical Science Laboratory, B-215348, Nov. 6, 1984, 84-2 C.P.D. ¶ 504. The judgment of the procuring agency concerning the significance of the difference in the technical merit of offers and whether or not offers are technically equal will be afforded great weight by this Office. The Singer Co., B-211857 et al., Feb. 13, 1984, 84-1 C.P.D. ¶ 177.


Selection officials here reviewed the record and determined it did not support the potential payout of a higher total cost differential on a proposal (PRC's) that would provide marginal utility. They felt PRC had not provided a strong management or technical proposal. They noted that:

" . . . identified personnel in key positions did not meet minimum qualifications as specified; past performance did not indicate strong positive rating; the proposed QA program does not reflect a thorough understanding of the QA requirement."

They concluded that the marginal differences in technical score, when weighed against the lower probable cost, favored Dynaspan as the best buy for the government.

We have upheld determinations that technical proposals were essentially equal despite differentials significantly greater than the one here. E.g., Lockheed Corp., B-199741.2, July 31, 1981, 81-2 C.P.D. ¶ 71 (where the differential was more than 15 percent). Regardless of how much PRC agrees with the PEB's recommendation and disagrees with the selection decision, PRC's mere disagreement with the Army's determination does not render the evaluation objectionable. - Associations for the Education of the Deaf, B-220868, supra, at 6. The agency therefore properly, and consistently with the RFP's evaluation criteria, awarded a contract to Dynaspan on the basis of its lower evaluated costs. SETAC, Inc., 62 Comp. Gen. 577 (1983), 83-2 C.P.D. ¶ 121.

The protest is denied.


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General Counsel